

**Subject:** Re: Joint Venture

**From:** Donald Duckworth <duckworth.donald@gmail.com>

**Date:** 04/26/2016 08:20 PM

**To:** Edgar Saenz <edgar.allen.saenz@gmail.com>

**CC:** "Les & Barbara Watt" <Les@blacktievalet.com>, Mason Shayan <MShayan0904@sbcglobal.net>, Miki Payne <Miki@hbdrollinger.com>

**BCC:** Donald R Duckworth <duckworth.donald@gmail.com>

Thanks Edgar. We need to create an independent entity. Let's go for the 501c3 corporate entity. This is NOT an informal partnership that we are setting up. Independent, transparent, accountable, self-sustaining: that's what we need. That's what the BID will do. No JV. It's too loosey goosey. I don't understand your suggestion.

On Tue, Apr 26, 2016 at 6:09 PM, Edgar Saenz <[edgar.allen.saenz@gmail.com](mailto:edgar.allen.saenz@gmail.com)> wrote:

Hello,

I excerpt a good overview of joint venture structures and taxation. The type of joint venture our respective organizations appear to be entering is a **contractual** (not an entity) **joint venture**. Note the tax aspects of such an arrangement.

## Tax aspects of joint ventures

There are many different reasons for forming some sort of joint venture, including property investment or development, the operation of a trade, the design of a new product or combining resources to bid for a contract.

Joint ventures can be structured in different ways. These include establishing a joint venture company, establishing a partnership or avoiding any sort of joint venture entity and simply agreeing to work together on a particular project.

Tax issues will need to be considered in relation to the set up of the venture, the operation of the joint venture and the eventual termination of the venture.

This guide outlines the main tax issues that can arise in relation to the three types of joint venture mentioned above.

...

### **Contractual joint venture**

In a contractual joint venture the parties do not establish any separate entity to carry on the

venture. Instead the parties enter into contracts and make their own profits and losses. They pay tax only on their own profits.

Contractual joint ventures are sometimes used by parties to combine resources to bid for the award of a contract or to undertake joint research.

An important advantage of contractual joint ventures is that there is no joint and several liability for the losses of the venture.

As no particular documentation or legal structure is required in order for a partnership to exist, it is important that the parties to a contractual joint venture structure their operations so that they cannot be regarded as acting in partnership. If they are treated as acting in partnership they could be subject to unexpected tax and other liabilities. One of the key indicators of a partnership is profit sharing so contractual joint venturers will need to ensure that the arrangements are structured to avoid this.

A contractual joint venture will not involve the transfer of assets to another entity and so no tax issues should arise on set up or on termination of the arrangements. Also the operation of the joint venture will not involve any sharing of profits so each party will be subject to tax on the profits it makes as a result of the venture.

For the complete article, go to <http://www.out-law.com/en/topics/tax/corporate-tax/tax-aspects-of-joint-ventures/>

Sincerely yours,  
Edgar Saenz

--

**Wills Trusts & Probate**  
**Law Office of Edgar Saenz**  
8921 S. Sepulveda Blvd., Ste. 101  
Los Angeles, CA 90045  
[www.edgarsaenz.com](http://www.edgarsaenz.com)  
[\(310\) 417-9900](tel:(310)417-9900)  
Fax: [\(310\) 882-5472](tel:(310)882-5472)